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Date: Sat, 4/5/2014 7:48:13 AM

Subject: Re: CIFIC 2014-II upsized to \$829MM - Priced

Congrats to everyone. Fantastic execution! B

Sent from my iPhone

> On Apr 4, 2014, at 7:33 PM, Oliver Wriedt wrote:

>

> We are pleased to announced that we successfully upsized and priced CIFIC 2014-II today.

>

> At \$829 MM of proceeds (\$800 MM of par), this transaction is the largest in the history of CIFIC. It is also the largest

> deal raised in 2014.

>

> We began our ramp-up in late October 2013 using CIFIC balance sheet capital to equitize the non mark-to-market RBS

> warehouse. We negotiated the right to purchase up to \$15 MM of new issue equity at deep discounts to par. In order to

> maximize our management fee on this transaction, we managed to get three investors to compete for the control equity

> position (TICC, Prophet Capital and Prospect Capital). We chose Prophet Capital, a \$3 billion mortgage hedge fund, as

> our anchor equity investor locking in 45 bps of management fees and committed to back-stop a deal of up to \$600 MM.

>

> Prophet Capital bought into our warehouse and significantly reduced our risk exposure in February.

>

> At the time of pricing, we were able to aggregate in excess of \$300 MM of loan collateral across 130 issuers and 27 industries. This

> portfolio was contributed to the CLO today, locking in profits for the balance sheet's commitment in excess of 10 points. We will

> follow up with detailed economics of the ramp at closing on May 2nd.

>

> Our second CLO in 2014 was supported by 24 institutional investors. We syndicated the \$504 MM senior tranche broadly.

> The AAAs were initially anchored by a \$150 MM order from GoldenTree Asset Management (with full recourse leveraged provided
 > by RBS). GSAM stepped in with a \$200 MM order and we were able to turn away State Street Bank (at materially worse terms).
 > We ended up allocating GoldenTree back to \$100 MM and took in orders from MetLife, Blackrock, Lord Abbett and AIMCO.
 >
 > We were disappointed in the debt execution at the bottom of the capital stack. Prophet Capital was critical in creating price tension
 > and ultimately bought \$50 MM of AAAs and \$12 MM of BBs. RBS has been depleted of talent. Syndicate was extremely weak.
 > This will be our last deal with RBS.
 >
 > The CIFIC CLO Co-Investment fund purchased \$6 MM notional of the equity at price of \$88. The CIFIC CLO Opportunities
 > Fund purchased \$1 MM notional of the equity at the same price. The target IRR at the purchase price using RBS model assumptions
 > is 13.5% to a call in Year 7. Prophet Capital bought \$59 MM of equity at a price of \$91, selling down just \$25 MM to two outside
 > investors at a price of \$92.
 >
 > We estimate that RBS cleared net fees of roughly \$3.6 MM (45 bps).
 >
 > In order to grow the transaction to \$800 MM, we gave up 2 bps in management fees on the deal, locking in 43 bps on \$800 MM
 > (\$3.44 MM per annum) and 20% incentive fees over a 12% preferred return. We got RBS to agree to rebate us the value of 1 bps in
 > the form of a warehouse management fee of approximately \$300k.
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 >
 > NEW ISSUE CLO: ~\$829MM CIFIC Funding 2014-II CLO *PRICED*
 >
 > COLLATERAL MANAGER : CIFIC Asset Management LLC
 > SOLE LEAD ARRANGER : RBS
 >
 > CLASS \$SIZE-MM M/S&P BNCH CPN
 > =====
 > A-1L 504.000 Aaa/AAA 3mL+ 148
 > A-2L 73.200 Aa2/NR 3mL+ 215
 > A-2F 10.000 Aa2/NR 4.469%
 > A-3L 68.800 A2/NR 3mL+ 285
 > B-1L 40.000 Baa3/NR 3mL+ 350
 > B-2L 41.600 Ba3/NR 3mL+ 460
 > SUB NOTES 90.990 NR/NR
 > Total 828.590
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